

**Background and Worksheet Instructions for:**  
Evaluating R\*STARS User Class 48 and User Class 49 Usage ([link](#))

## **Background**

Transactions processed with UC48 and UC49 enable payments to bypass the vendor file and the Department of Treasury's (Treasury) offset and adjustment process. Generally, use of UC 48 and UC 49 is only permitted if the payment is not 1099 reportable, is less than \$100, and the SSN or FEIN is not available. Examples include award programs; refunding the overpayment for goods, services, or licensing fees; and statutory citation that supports exemption (e.g., payments to recipients of income assistance or Michigan Rehabilitation Services clients). Refer to Sections 6.2.4 and 6.2.5 of the [ADPICS/R\\*STARS Security Manual](#) for information on requesting access to UC48 and UC49.

When Treasury and the Office of Financial Management (OFM) approve an agency's request to utilize UC48/UC49, OFM notifies the department which comptroller object(s) to use for the approved transactions, and where applicable, specifies a dollar limit on the individual transactions. Information relating to UC48/UC49 transactions may be queried from the accounting event (AE) tables in MIDB. Also, canned scripts exist in the Clear Access 'Security' script group to retrieve this information.

To assist with monitoring UC48 or UC49 usage, an internal control evaluation [worksheet](#) has been prepared. Each activity level manager should use this worksheet to evaluate and document internal controls that contribute towards the achievement of activity level objectives relating to UC48 and UC49 usage. Results of these evaluations should also be considered when performing the department's overall evaluation of internal controls that contribute towards the achievement of department-wide objectives. Specific instructions for completing the evaluation worksheet follow.

## **Specific Instructions**

- *Activity Level Objective (Column 1)* - Identifies significant activity level objectives being evaluated related to UC48 and UC49 usage.
- *Risk Factors (Column 2)* - Identifies risks associated with each significant activity level objective. Risks may be identified as the result of answering the following types of questions: 1) "What is the potential result of not efficiently/effectively performing control activities to meet a specific operating objective?" or 2) "What are potential effects on

reliability of financial reporting, compliance with laws and regulations, safeguarding of program assets, efficient use of program resources?").

- *Risk Rating (Column 3)* - Assigning a risk rating is helpful in prioritizing. If a risk is inherently low, less time should be spent thinking it through – and fewer resources spent managing it. High risks demand more attention.

To assess a risk, both of the following should be considered:

- **Severity/Significance** – How serious would it be if the effect were to occur? What's the impact?
- **Frequency/Likelihood** – How likely is it to occur?

For these purposes, a reasonable rating of high, medium, or low is sufficiently precise. For most risks, a single rating is enough. For some, a split rating (e.g. high significance, low likelihood) might be meaningful.

- *Actions / Control Activities (Column 4)* - Identifies control activities (policies, procedures or practices) that exist within UC 48 and UC49 usage that mitigate identified risks. Additional control activities may be added to the worksheet. Be as detailed as possible; describe specific control activities that do not represent formal policies/procedures or are not otherwise documented.

Generally, identify control activities that:

- Provide separation of duties and responsibilities among employees.
  - Limit access to State resources to authorized personnel requiring access within scope of assigned duties.
  - Assure appropriate authorizations and record-keeping procedures are used to control assets, liabilities, revenues, and expenditures.
  - Assure established policies and procedures are followed in performance of assigned functions.
  - Ensure personnel are qualified and maintain a sufficient level of competency.
  - Ensure activity level objectives are accomplished efficiently.
- *Monitoring (Column 5)* - Identify monitoring activities used by the activity level manager to ensure established internal controls are

operating and effectively address identified risks. Include results of testing conducted under the direction of management as evidence to support conclusions. Provide detailed responses; describe specific monitoring activities that do not represent formal policies/procedures or are not otherwise documented.

- *Conclusions (Column 6)* - Record a conclusion on the sufficiency/effectiveness of existing internal controls, and proposed actions (i.e., corrective actions) to address internal control weaknesses. Monitoring activities are the key factor in concluding about the effectiveness of control activities. It is difficult for an activity manager to reach conclusions about the effectiveness of control procedures without first implementing appropriate monitoring activities.